

\$ 4,768,983	\$ 4,874,602	\$ 4,893,857	\$ 4,893,857	\$ 4,818,974
1,275,495	1,264,451	1,264,451	1,263,714	1,674,802
2,258,335	2,200,432	2,222,342	2,158,844	2,258,256
4,254,220	3,269,240	3,351,078	3,231,871	4,870,191
2,483,320	2,554,791	2,556,040	2,505,799	2,617,969
4,798,519	4,666,207	4,666,207	4,666,207	4,779,552



# Revenue Measure Options

April 17, 2012

5,161,749	5,299,024	5,299,029	5,298,826	1,379,915
417,259	487,259	487,259	306,371	445,132
12,838,011	12,259,268	12,262,283	12,262,247	12,399,419
25,504,047	24,503,798	24,656,361	24,648,361	28,708,896
188,466,148	185,814,282	189,595,222	189,590,422	185,779,379
30,821,996	28,734,193	29,186,923	29,133,432	28,042,778



# Introduction

- Current Tax Rates in Long Beach
- Tax Measure Types - General vs. Special
- Tax Measure Options
- Considerations
- Next Steps



# Current Tax Rates

Property Tax	Rate/Amount	Example: \$350,000 Home	City of L.B. Direct Share
General Tax Levy	1.0% of AV	\$3,500.00	\$735.00
Metro Water Dist.	.0037% of AV	12.78	--
LBCC	.026146% of AV	90.32	--
LBUSD	.092226% of AV	318.59	--
MWD Standby #8	\$12.16	12.16	--
Flood Control	\$10.06	10.06	--
Sanitation Dist #3	\$150	150.00	--
Trauma/Emerg Svcs	\$36.50	36.50	--
County Park Dist	\$16.25	16.25	--
<b>Total</b>		<b>\$4,146.66</b>	<b>\$735.00</b>

- 5% UUT Tax: For example, a combined utility bill of \$250 per month equals \$150 per year in tax
- Sales Tax: City receives 1 cent for every \$1.00 spent in Long Beach



# General Tax Vs. Special Tax

## General Tax

- Any tax that is imposed for general governmental purposes
- Requires majority vote (50% +1)

## Special (Dedicated) Tax

- Any tax that is imposed for specific purposes, including a tax imposed for special purposes, which is placed into a general fund
- If property base, cannot be imposed on an ad valorem (property value) basis. Must be levied uniformly on all eligible properties or taxpayers, as with a parcel tax
- Requires two-thirds vote



# Tax Measure Options

- Parcel Tax
- Utility User Tax - Existing & Potential
- Local Sales & Use Tax
- Business License Tax
- Oil Barrel Tax
- Oil Severance Tax
- Transient Occupancy Tax
- Parking Tax
- Real Property Transfer Tax
- Admissions Tax



# Parcel Tax

- Based on fee per parcel, not valuation of property
- Parcel fee may vary by type of parcels (i.e. single family, multi-family residential, commercial, professional, industrial)
- May be designed to exempt certain classes or types of property and can include a sunset provision and/or an annual CPI adjustment
- Always requires a two-third majority vote of the electorate

*For Illustrative Purposes:*

Annual Parcel Fee*	New Revenue (Approx.)
\$50	\$13.2 million
\$100	\$26.3 million
\$120	\$31.6 million

\*Projection is based on the 2008 Measure I assumptions.



# Existing Utility User Tax (UUT)

- Long Beach UUT is imposed on the consumption of utility services
- Current UUT rate is 5%, generating \$38.8 million in FY 11
  - Electric Users Tax - \$17.2M
  - Telephone Users Tax - \$13.9M
  - Gas Users Tax - \$4.1M
  - Water User Tax - \$3.7M

*For Illustrative Purposes:*

Increase	Tax Per \$100	New Revenue (Est.)
1.00%	\$1.00	\$ 7.8 million
2.00%	\$2.00	\$15.5 million
3.00%	\$3.00	\$23.3 million



## Existing Utility User Tax (*cont'd*)

UUT Rate Comparison	
City	Rate
Los Angeles	10.0%
San Francisco	7.5%
Sacramento	7.5%
Oakland	7.5%
Santa Ana	6.0%
<b>Long Beach*</b>	<b>5.0%</b>
San Jose	5.0%
San Diego	0.0%
Fresno	0.0%
Bakersfield	0.0%
Anaheim	0.0%
<b>Average</b>	<b>4.4%</b>

- In 2000, Long Beach voters passed Measure J which decreased UUT rates by 5%, phased in over five years
- This reduction eliminated 50% of the City's UUT revenue, which would have been \$38.8 million in FY 11





# Potential Utility User Taxes

- Additional UUT may be imposed on the consumption of sanitary sewer, refuse collection, and cable television services
- Revenue potential at the current 5% UUT rate varies greatly by service type.

*For Illustrative Purposes:*

- Sewer Tax - \$700k
- Refuse & Recycling Collection (excl. private haulers) - \$1.8M
- Cable Television Tax - \$4.2M



# Local Sales & Use Tax

- A sales and use tax is levied on the purchase of tangible personal property
- The current sales tax rate in Long Beach is 8.75%, split with the State (6.0%), the Los Angeles County (0.25%), LA County MTA (1.50%), and Long Beach (1.0%)
- In FY 11, Long Beach received \$57.8 million in revenue
- Per State law, the maximum the City could increase the rate would be 0.5%

*For Illustrative Purposes:*

Increase	Tax Per \$100	New Revenue (Est.)
0.25%	\$0.25 (25¢)	\$14 million
0.50%	\$0.50 (50¢)	\$28 million



# Local Sales & Use Tax (cont'd)

City Sales Tax Rate Comparison	
City	Sales Tax Rate
Los Angeles	8.75%
<b>Long Beach</b>	<b>8.75%</b>
Oakland	8.75%
San Francisco	8.50%
San Jose	8.25%
Fresno	7.98%
San Diego	7.75%
Sacramento	7.75%
Anaheim	7.75%
Santa Ana	7.75%
Bakersfield	7.25%

Local Communities Rate Comparison	
City	Sales Tax Rate
Bellflower/Cerritos	8.75%
Compton/Paramount	8.75%
<b>Long Beach</b>	<b>8.75%</b>
Lakewood/Signal Hill	8.75%
Huntington Beach	7.75%
Seal Beach/Los Alamitos	7.75%

Communities With Increased Rates	
City	Sales Tax Rate
Avalon	9.25%
El Monte	9.25%
Santa Monica	9.25%
South El Monte	9.25%
Pico Rivera	9.75%
South Gate	9.75%



# Business License Tax

- Currently, Long Beach charges a Business License Tax that varies by type of business, with an annual CPI adjustment
- Other cities charge license taxes on wide variety of bases and increments, making comparisons difficult
- In FY 11, the business license tax generated \$11.4 million to the General Fund
- An increase of \$50 per current business license account could generate approx. \$1.5 million annually



# Oil Barrel Tax

- The City currently taxes oil production by volume (barrel tax) at the following rates/split:
  - 15¢ per barrel for general purposes
  - 25¢ per barrel, plus CPI\* index (2¢ as of FY 11) for Public Safety (Prop. H)
- Citywide 12.7 million barrels were produced in FY 11, generating \$5.3 million for General Fund and Prop H
- Different cities use different indices to calculate their barrel taxes
- Every 10¢ increase in the City's current tax rate would generate approx. \$1.3 million



# Oil Severance Tax

- A value-based tax, or severance tax, is based on a percentage of the actual sale price or on a rate from a published price index
- To achieve an equivalent \$5.3 million by a means of a value-based tax, the City would need to institute a tax of 0.38% (based on the FY 12 YTD average sales price of \$110/barrel using a monthly barrel price index)
- Only the city of Culver City is known to be assessing a severance tax, at a rate of 1.80%
- Active discussion at State level to impose an oil severance tax

*For Illustrative Purposes:*

Severance Tax Comparison	
% Tax	Revenue
0.38%	\$5.3M
0.50%	\$7.0M
1.00%	\$14.0M
1.50%	\$21.0M
2.00%	\$28.0M

\* Based on FY 11 production totals



# Transient Occupancy Tax (TOT)

- Known as the hotel bed tax, it is paid for the occupancy of a room
- The current rate is 12%; effective rate of 15% in the downtown area if self-imposed business license surcharge is included
- TOT generated \$17.6 million in revenue in FY 11. Every 1% increase in the rate would generate \$733,000 to the General Fund

TOT Rate Comparison	
City	Rate
Anaheim	15.0%
Santa Monica	14.0%
Los Angeles	14.0%
<b>Long Beach</b>	<b>12.0%</b>
Torrance	11.0%
Newport Beach	10.0%
Huntington Beach	10.0%



# Parking Tax

- Tax levied on public and private lots located in the City, based on a percentage of total parking revenues or number of spaces
  - Does not include on-street metered parking
- Long Beach does not currently have a parking tax
- Parking lot operators would be required to collect the tax from parking lot occupants and remit the collections to the City
- Annual revenue to be generated from a 10% tax on city-owned parking lots is roughly estimated at \$1.7 million
  - Revenues generated from privately owned lots is difficult to project, but could account for up to 50% of total Parking Tax revenues





## Parking Tax (*cont'd*)

Parking Tax Rate Comparison	
<u>City</u>	<u>Rate</u>
San Francisco*	25.0%
Los Angeles*	10.0%
Oakland**	10.0%
<b>Long Beach</b>	<b>0.0%</b>
San Diego	0.0%
San Jose	0.0%
Fresno	0.0%
Sacramento	0.0%
Bakersfield	0.0%
Anaheim	0.0%
Santa Ana	0.0%
<i>*Excludes on-street and residential parking</i>	
<i>**Excludes City owned parking meters</i>	

- A total of 25 cities in California levy a Parking Lot Tax



# Real Property Transfer Tax

- Charge that is applied to the transfer of ownership of real property
- Current transfer tax is \$1.10 per \$1,000 sales price of which the County retains 55¢ and Long Beach retains 55¢
- Currently, the City receives approx. \$950,000 per year
- State law sets the transfer at 55¢ per \$1,000 sales price for all general law cities. As a charter city, Long Beach retains the discretion to set its transfer tax
- However, if the fee is increased, the County retains the full original \$1.10 and the City would receive the rest
- Thus, to double the current annual revenue of \$950,000 to \$1,900,000, the City tax would need to be \$2.20 per \$1,000



# Real Property Transfer Tax (*cont'd*)

Real Property Transfer Tax Fee			
Cities	City Rate	County Rate	Per \$1,000 Total
San Francisco	\$5.00 - \$20.00	\$ 1.10	\$ 6.10 - \$ 20.10
Oakland	\$ 15.00	\$ 1.10	\$ 16.10
Los Angeles	\$ 4.50	\$ 1.10	\$ 5.60
San Jose	\$ 3.30	\$ 1.10	\$ 4.40
Sacramento	\$ 2.75	\$ 1.10	\$ 3.85
San Diego	\$ 0.55	\$ 0.55	\$ 1.10
Fresno	\$ 0.55	\$ 0.55	\$ 1.10
<b>Long Beach</b>	<b>\$ 0.55</b>	<b>\$ 0.55</b>	<b>\$ 1.10</b>
Bakersfield	\$ 0.55	\$ 0.55	\$ 1.10
Anaheim	\$ 0.55	\$ 0.55	\$ 1.10
Santa Ana	\$ 0.55	\$ 0.55	\$ 1.10



# Admissions Tax

- A tax levied on the gross receipts charged for entry to specific entertainment, sporting, recreational, and/or amusement activities. Can be extended to include gym memberships, spas, etc.
- This type of tax is often found in cities with major sporting venues or amusement areas (e.g., San Francisco, Pasadena, Pomona)

## *Cities with Admissions Taxes:*

City	Tax	Revenue*
Avalon	4%	\$253,000
Indian Wells	9%**	758,000
Pasadena (Rose Bowl)	Variable	247,000
Pomona (Amusement Ride Tax)	2¢ per ride	227,000
San Francisco (Stadiums)	Variable	2,444,700
Santa Cruz	5%	1,964,400

\* For FY 09, [californiacityfinance.com](http://californiacityfinance.com)

\*\* For FY 13



# Considerations for Tax Measures *(cont'd)*

## Parcel Tax (New)

- Predictable and reliable
- Viewed by voters as another form of property tax

## Utility User Tax (Increase and/or New)

- Relatively large tax base
- Based on commodities, some of which are in decline

## Local Sales & Use Tax (Increase)

- May increase the likelihood of residents shopping in other cities
- State planning a ballot measure to increase sales tax by 0.25%

## Business License Tax (Increase)

- Would make us among the highest and may result in loss of potential and/or existing businesses
- Revenue increase relatively small



# Considerations for Tax Measures *(cont'd)*

## Oil Taxes

- Perceived to impact very few taxpayers directly
- May result in decreasing oil production in Long Beach

## Transient Occupancy Tax (Increase)

- Increase could be detrimental to convention bookings and tourism
- Revenue increase relatively small



# Considerations for Tax Measures *(cont'd)*

## Parking Tax (New)

- Could be detrimental to local business and push parking into neighborhoods
- Few private parking lots; revenue relatively small for private lots

## Real Property Transfer Tax (Increase)

- Implementation benefits the County at the cost of the property owner
- Revenue increase to General Fund relatively small

## Admissions Tax (New)

- Could be detrimental to special events booking and participation
- Revenue increase relatively small



# Next Steps

- Should the City Council wish to proceed with a ballot measure for November 6, 2012 general election:
  - Decide on measure type and tax amount
  - Develop ballot measure language
  - Adopt a resolution by August 7, 2012
    - General tax measure would require unanimous vote of Council and declaration of fiscal emergency
    - Special tax measure would require simple majority vote by Council
  - Submit to L.A. County by August 10, 2012
- Cost: \$432,000 if the only City measure, \$39,000 incremental (if included with other City measures)
- The next general election is scheduled for April 8, 2014
- No special elections have been scheduled for 2013 as of this time



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